FOREIGN AFFAIRS AND TRADE PORTFOLIO SUBMISSION TO THE INQUIRY INTO THE WORKING HOLIDAY MAKER PROGRAM BY THE JOINT STANDING COMMITTEE ON MIGRATION

JULY 2020

Australian Government
Austrade

TERMS OF REFERENCE

The Joint Standing Committee on Migration shall inquire into and report on the Working Holiday Maker program, with reference to:

- The purpose of the program including history, size, composition, eligibility, and reciprocal access for Australians and recent changes;
- The value of the program to Australia's economy, including tourism, health care and agriculture sectors;
- The ongoing impact of COVID-19 nationally and internationally on the program;
- The potential economic impacts on regional economies due to the disruptions of access to Working Holiday Makers relied upon especially for the agricultural and tourism sectors; and the capacity, if any, for Australians made unemployed by COVID-19 to fill the labour shortage;
- The extent to which existing visa criteria and conditions related to Working Holiday Makers are still adequate and appropriate to address the purpose of this program, including cultural exchange and creating job opportunities for Australians;
- The extent to which the program can support economic recovery in regional Australia; and
- Any other related matters.

INTRODUCTION

The Australian Trade and Investment Commission (Austrade) and the Department of Foreign Affairs and Trade and Tourism Australia, welcome the opportunity to make this joint submission to the Joint Standing Committee on Migration's inquiry into the Working Holiday Maker (WHM) program.

As Australia seeks to manage Australia's economic recovery from COVID-19, it is timely to assess the value and impact of the WHM program. At a macro level, this reciprocal youth exchange program enhances Australia's people-to-people and economic ties abroad. It provides tangible and positive benefits to the Australian community at large as well as to visa holders, strengthening key bilateral relationships and fostering new connections. By promoting a positive image of the Australian economy and providing professional and personal opportunities for young Australians, WHM visas enhance Australia's soft power. The program also makes an important contribution to our tourism industry and provides a seasonal workforce to support sectors vital to the post-COVID recovery.

FEATURES OF THE WORKING HOLIDAY MAKER VISA PROGRAM

The WHM program began as a cultural exchange program in 1975 and operates through two visa subclasses:

- Working Holiday (subclass 417): applying to 19 countries and territories (Attachment A) with no cap on the number of visas; and
- Work and Holiday (subclass 462): applying to 25 countries (Attachment B) with annual caps (with the exception of the United States, which is uncapped).

Details are agreed under bilateral arrangements with each country. This visa lets people 18 to 30 years old (inclusive) – and Canadian, French and Irish citizens 18 to 35 years old (inclusive) – have an extended holiday and work in Australia to help fund their trip. Both visas are valid for an initial one-year period. Applicants must meet minimum health, character and financial requirements. Under the Subclass 462 visa, some nationalities must also meet education and English language requirements.

The Government has been extending this program through bilateral agreements with new countries and increasing caps and age limits for existing markets. Visa grants under the WHM program increased from 115,444 in 2005-06 to 209,036 in 2018-19. Recent growth in the program has been driven in part by the increasing number of WHMs in Australia under the subclass 462 visa, as the program has expanded to new country markets. As of July 2020, the WHM program includes 44 partner countries and territories.

WHM visa holders are not required to work but may undertake short-term employment in any location, industry and role if they choose. WHM visa holders are also able to study for up to four months, and in 2019, 29,750 identified WHMs took a course of study on their trip. There are no restrictions on the type of industry where WHMs can work or the hours they can work in a given period. Usually, WHMs can only work with the same employer for up to six months. They may work for the same employer for more than six months if the work is:

- in different locations and work in any one location does not exceed six months;
- in plant and animal cultivation anywhere in Australia;
- as an au pair anywhere in Australia; and
- in certain industries in northern Australia (for subclass 462 visa holders).

Second and third year visa extensions are offered to those who undertake specified work in regional locations.

BENEFITS OF YOUTH EXCHANGE

WHM visas strengthen the two-way links between citizens of partner countries and Australians. These ties enhance mutual understanding, community connections, and build a constituency for greater bilateral cooperation. WHM visas are particularly valuable in building cross-cultural awareness and relationships between young workers. Reciprocal arrangements reinforce positive images of Australia's young, diverse and able workforce.

Beyond Australia's borders, WHMs enhance commercial ties and showcase Australia's dynamic economy and workforce. For incoming WHMs, time in Australia builds familiarity with study, holiday and commercial opportunities. Greater understanding of the quality of Australian goods and services increases Australia's brand recognition. For Australians working abroad under reciprocal arrangements, the exchange allows professional and personal growth as well as networks for future commercial ties. This enhanced cross-cultural understanding enables deeper economic integration between countries.

Many partner governments place a high value on the access for their citizens to WHM arrangements, and young Australians benefit from the reciprocal arrangements with a diverse range of countries and regions. WHM arrangements are often a tangible component of bilateral relationships that build

community-level support and understanding of broader foreign policy objectives. Any pause or roll back risks reputational damage and reciprocal access for young Australians, and could undermine positive bilateral trends.

ECONOMIC CONTRIBUTION OF THE WHM PROGRAM

The WHM program makes a vital contribution to the Australian economy in terms of the tourism spend and workforce contribution.

The International Visitor Survey (IVS) for the year ending December 2019, showed there were 308,400 self-identified WHM arrivals in Australia, who had a total trip spend of $3.2 billion. The Department of Home Affairs (Home Affairs) report that a total of 209,036 WHM visas (subclass 417 and subclass 462) were granted in 2018-19. In the nine months to 31 March 2020, a total of 141,636 WHM visas were granted. Home Affairs statistics differ from the IVS as they report on actual visas granted, whereas the IVS results are based on visitors who identify themselves as WHMs in the survey.

WHMs are high-return tourists. They tend to spend more, stay longer and disperse more widely throughout the country than most other visitor types. WHMs spend an average of $10,400 per trip to Australia. The IVS data shows WHMs:

- stay an average 148 nights;
- spend 34 per cent of their time in regional areas; and
- over 50 per cent were on a repeat visit to Australia.

Tourism Research Australia (TRA) estimate $726 million of all WHM spend in Australia in 2019 was in regional areas[1]. Often families and friends will also visit Australia to meet up with a WHM during the initial visa or later in life. WHMs form a life-long connection with Australia and often become ambassadors for Australia in their home countries.

WHMs also provide a flexible seasonal labour force that helps address labour gaps when local workers are not available, particularly in the agricultural and tourism sectors. This pool of labour helps ease supply side constraints, boost growth and enhance international competitiveness in major Australian export sectors, including horticulture and tourism.

To help encourage WHMs to work in regions with identified seasonal workforce challenges, the Government introduced a second year visa extension to encourage WHMs to undertake three months of 'specified work' in approved industries in designated regional areas. In July 2019, a third year WHM visa option was rolled out for WHMs who complete six months of specified work during their second year. For subclass 417 visa holders specified work includes:

- plant and animal cultivation;
- fishing and pearling;

[1] TRA's definition of regional includes all areas outside state and territory capital cities and the Gold Coast. The Department of Home Affairs may apply different definitions of regional when determining eligibility for visas.

- tree farming and felling;
- mining;
- construction; and
- bushfire recovery work (added in February 2020).

The subclass 462 visa has similar specified work requirements but can generally only be undertaken in northern Australia. It also includes tourism and hospitality work and excludes mining.

There is currently no data source which captures the full workforce contribution of the WHM program. Limited data can be gathered from applications for second and third year visas, which require evidence of completing 'specified work'. However, this does not capture unspecified work undertaken in other sectors and locations. It also does not capture work completed by those who do not apply for a further visa. To help fill these data gaps, in May 2019 Austrade commissioned Flinders University to undertake a research project on work completed by WHMs. This project will be completed in late 2020 and aims to provide empirical data which will help strengthen the evidence base and inform policy decisions.

Of the 43,219 second year WHM visa grants made in 2018-19, 36,125 completed their specified work in the Agriculture, Forestry and Fishing industry. The second largest employment sector for WHMs who qualified for a second year visa was the Accommodation and Food Services industry, which employed 3,255 WHMs during the same period. These two industries are highly seasonal and employment is often concentrated outside of metropolitan areas during specific times of the year.

Traditionally these sectors have difficulty filling these roles from the domestic labour market due the short-term nature of the work (ranging from a few days to a few weeks) and often remote locations. Roles such as fruit picking cannot be filled by the skilled migration program due to the low-skill requirements, seasonal work and lower salary levels.

Young tourists working and spending their wages in regional areas is a win-win for Australia as they help drive and sustain Australia's export markets and tourism industry.

TARGETED CAMPAIGNS HAVE INCREASED THE VALUE OF THE WHM PROGRAM

To promote Australia as a leading WHM destination, the Government provided a total of $15 million in funding to Tourism Australia over four years between 2016-17 and 2019-20. Tourism Australia's most recent campaign, *Australia, Inc.* was launched in March 2019 and positioned Australia as the world's most desirable WHM destination. It targeted the United Kingdom, Germany and France, which constitute about a third of all WHM arrivals and spend in Australia. The campaign had a positive response and reached 16.7 million 18-30-year-olds across these markets. The next phase of WHM campaign activity has now been paused due to COVID-19, but Tourism Australia continues to monitor opportunities to recommence this important marketing.

IMPACTS OF COVID-19 ON THE WHM PROGRAM

With the closure of Australian borders and visa programs in late March 2020, the number of WHMs in Australia dropped from some 118,000 in early April to approximately 87,000 in late June. This is a

significant decrease from 135,263 as at 30 June 2019. Currently, no new visas are being issued and WHMs are unable to enter Australia under the travel restrictions.

In this climate, WHM visa lodgements have declined significantly across key markets on a year-on-year basis (for June 2020 compared to June 2019):

- France: down 94 per cent
- Germany: down 95 per cent
- United Kingdom: down 86 per cent.

In response to COVID-19, the Government has introduced flexibility in the visa conditions for WHMs who remain in Australia to ensure they are able to work and support themselves, remain lawful and engage with the public health system if necessary. Policy provisions include exemption from the six month work limitation with one employer if employed in critical sectors, including: health, aged and disability care, agriculture, food processing, and childcare. Those working in these sectors are also eligible for a further visa if their current visa is due to expire in the next six months. Those working in a critical sector, not eligible for a further WHM visa but unable to return home, are eligible to apply for a new Temporary Activity (subclass 408) Australian Government Endorsed Event (AGEE) stream visa.

With ongoing disruption to the program caused by COVID-19, international and state border closures and limited commercial flights, further flexibility will be required to accommodate WHMs who remained in Australia, those who had cut their visit short and those who have been granted a visa but were not able to enter Australia. Numerous bilateral partners have requested additional flexibility in WHM conditions to alleviate impacts of travel restrictions by allowing visa holders to suspend, extend or requalify for WHM visas, or waive visa application fees if they have been unable to enter the country or will have to reapply.

The decline in the pipeline of WHMs is expected to impact the agriculture labour market. Temporary migrants constitute approximately 70 percent of the labour force for the $14.4 billion horticulture sector alone. Some reports anticipate workforce shortages of between 40,000 and 71,000 roles in the horticulture sector this year. This shortfall may be exacerbated as more WHMs leave ahead of the start of the university year in the northern hemisphere, which coincides with the start of peak harvesting seasons in many parts of Australia. For those WHMs who remain in Australia, state border restrictions and quarantine requirements limit their option to move around the country and take up seasonal work opportunities.

While acknowledging concerns that labour shortages should be filled by Australian unemployed due to COVID-19, previous labour market analysis and anecdotal reports suggest many seasonal roles cannot be filled by Australian workers. Critical sectors including agriculture, childcare, bushfire recovery and aged care are experiencing shortages in the current environment.

THE FUTURE OF THE WHM PROGRAM

We recommend WHM arrangements remain active and MOUs with partner countries are not suspended in the current environment. We will also need to support Australian WHMs already overseas and ensure we maintain access to further reciprocal WHM opportunities for young Australians. Keeping WHM arrangements active, and affording where possible temporary flexibility to alleviate COVID-19 disruptions, will also help preserve our bilateral relationships with partner countries.

In view of the tourism and labour contribution of WHMs, WHM visa holders should be considered a priority cohort when considering the phased re-opening of borders. In the current climate, it will be important to ensure Australia's WHM scheme is internationally competitive and attractive to potential travellers. It should provide incentives for WHMs to travel to Australia when safe to do so, including those who have cut short their holiday or not been able to utilise their visa at all.

The return of all international visitors to Australia will require a balancing of the health risks with economic benefits. The scenarios for reopening our borders and visa programs may see different requirements for different countries based on health assessments. Rather than taking a blanket approach to the entire WHM program, a flexible methodology could be adopted so WHMs could be permitted to enter from countries determined to be of a low health risk and considered a priority cohort.

Managing the COVID-19 health risks may present new challenges that require new policy solutions reflecting the changing environment. WHM visa holders are well placed to manage a mandatory 14-day quarantine period required under current Australian health requirements. WHMs stay longer than other international tourists, which may provide greater incentives for individuals, governments and the private sector to find cost-neutral solutions to meeting new health requirements (including quarantine) that would permit entry of new WHMs. Employer-funded quarantine may also be a viable option in some instances and permit the phased resumption of the program, while providing much needed labour in priority sectors.

CONCLUSION

The WHM program makes a unique contribution to Australia's society and economy. It enhances Australia's people-to-people and economic ties abroad. It also makes an important contribution to our tourism industry and provides a seasonal workforce to support industries vital to the post-COVID recovery. It will be important to support this program through the challenges posed by the COVID-19 restrictions and economic recovery.

ATTACHMENT A: WORKING HOLIDAY (SUBCLASS 417) VISA ARRANGEMENTS AND AGE LIMITS AT 30 JUNE 2020 (UNCAPPED PROGRAM)

	Partner country and territory	Maximum age
1.	Belgium	30
2.	Canada	35
3.	Cyprus	30
4.	Denmark	30
5.	Estonia	30
6.	Finland	30
7.	France	35
8.	Germany	30
9.	Hong Kong (HKSAR of the PRC)	30
10.	Ireland	35
11.	Italy	30
12.	Japan	30
13.	Malta	30
14.	Netherlands	30
15.	Norway	30
16.	South Korea	30
17.	Sweden	30
18.	Taiwan	30
19.	United Kingdom	30

ATTACHMENT B: WORK AND HOLIDAY (SUBCLASS 462) VISA ARRANGEMENTS AND CAPS AT 30 JUNE 2020 (AGE LIMIT 30)

	Partner country	Annual cap
1.	Argentina	3,400
2.	Austria	200
3.	Chile	3,400
4.	China	5,000
5.	Czech Republic	500
6	Ecuador	100
7.	Greece	500
8.	Hungary	200
9.	Indonesia	1,000
10.	Israel	2,500
11.	Luxembourg	100
12.	Malaysia	1,100
13.	Peru	1,500
14.	Poland	1,500
15.	Portugal	500
16.	San Marino	100
17.	Singapore	2,500
18.	Slovak Republic	200
19.	Slovenia	200
20.	Spain	3,400
21.	Thailand	2,000
22.	Turkey	100
23.	United States of America	uncapped
24.	Uruguay	200
25.	Vietnam	1,500